

March 8, 2017

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To: Honorable Councilman Joey Manahan, Chairman  
Councilmembers of Budget Committee  
City Council Budget Committee  
City & County of Honolulu

From: Rod Tam  
Former City Councilmember  
Member of the Financial Accountability For Rail Mass Transit Association

Re: Testimony Opposing Bill3, CD1, Transportation Surcharge

Good morning Chairman Manahan members of the Budget Committee of the City & County of Honolulu. My name is Rod Tam, former city councilman and member of the Financial Accountability For Rail Mass Transit Association. I reside in Council District 5, Liliha/Nuuanu/Pauoa/Pacific Heights Punchbowl/Downtown/Chinatown. I speak in opposition to Bill 3, CD1, Transportation Surcharge for the following reasons:

1. Bill 3, CD1 eliminates direct financial accountability to the city council on the finances for the construction of the rail. There is no direct financial check in balance between Mayor Kirk Caldwell's administration and the city council on behalf of the City & County of Honolulu's residents. The City Charter ensures the accountability.
2. Bill 3, CD1 eliminates financial accountability to the city council whereby enables public hearings for the public to formally testify on the on-going finances for the construction of the city rail.
3. Bill 3, CD1 declares the current ½% State of Hawaii excise general tax as perpetual tax beyond the 5 year legislated by the state. The legislature is rejecting the future extension of the ½% excise tax because Mayor Caldwell's administration has no concrete financial accountability to the raising construction costs. Even the Federal Transportation Administration

is requesting Mayor Caldwell's administration for financial accountability by April 30, 2017. Mayor Caldwell is using this bill as a leverage tool against the state legislature to get the extension of the ½% tax beyond the 5 year allowance. As evidence, to no financial accountability, please refer to the enclosed exhibit entitled "Uncertainty of Rail's 20 Miles Construction" stating uncontrollable construction costs for the rail.

In closing, Bill 3, CD1 is a denial of public hearing financial accountability and premature for adoption when the state legislature is rejecting the ½% excise tax to the city beyond the current 5 years due to lack of financial accountability. Bill 3, CD1 is an act against "Democracy", people government for the right of involvement. Bill 3, CD1 must not pass.

## Uncertainty of Rail's 20 Miles Construction

Information stated by Star Advertiser:

### Projected costs (reported by Star Advertiser):

December 2012 ..... \$5.26 billion

December 2014 ..... \$5.9 billion

October 2015 ..... \$6.56 billion

March 2016 ..... \$6.9 billion

May 2016 ..... \$8.1 billion (700 million to 1.2 billion more)

Per FTA financial risk analysis, \$10.79 figure is the high possible cost projection.

20 mile rail estimated to be completed by December 2024.

As of June 28, 2016, Mayor Caldwell requested FTA to give the City till June 1, 2017 to provide the city to develop a more fully cost projection on the construction of the rail.

Rail is now estimated to be \$1.5 billion deficit on the city. The FTA gives the city till the end of December 2016 to address the deficit. \$1.55 billion was the federal share for the rail.

September 6, 2016 ... City and Kiewit Construction disputes trust over change orders which causes construction delays over 1<sup>st</sup> 10 miles of rail. Thus, increase in rail's price tag. Kiewit faults city.

April 30, 2017 is FTA's deadline for recovery-plan not June 1, 2017.

Note: Status of FTA's \$1.55 billion.

1. Hart received \$806,267,358 of the \$1.55 billion.
2. HART spent \$600 million.
3. \$743.7 million not access to HART.
  - a. FTA withholding \$500 million until Hart updates its financial plan and submits an acceptable recovery plan that addresses rail's latest budget woes.
  - b. \$243.7 million for fiscal year 2017 not yet appropriated to HART.

Conclusion: Mayor Caldwell lacks concrete financial accountability to the Expenditures for rail construction, administration, and future maintenance. Thus, there should be no perpetuity of the.05% general excise tax for rail.